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Women In El Salvador's Labor Market: Present, Trends, and Prospects

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Women in El Salvador's Labor Market: Present, Trends, and Prospects

J.J. Buttari¹

Executive Summary

After decades of import-substitution policies, El Salvador embarked in 1989 in a dramatic shift in its economic policies orientation toward a more open economy and with much less direct government intervention in production activities. In term of overall economic performance the results have been striking:

- * real per capita incomes have been rising fast;
- * investment has risen, non-traditional exports have expanded significantly;
- * macro-economic stability has improved; and,
- * changes in the sectoral structure of the economy are under way.

The better economic performance has been paralleled by improvements in labor market conditions. A higher proportion of workers have been able to find "permanent" employment and shift away from "casual" or "subsistence" activities. In addition, urban unemployment rates have tended to fall.

As to the features of the labor market for women, their share in El Salvador's labor force is high compared to other countries at comparable development levels. Moreover, in contrast to men's, the labor force participation rates of women have risen consistently. The positive association between education and female labor force participation, together with recent emphases on raising the access

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to education of women, suggest that the increasing weight of women in the Salvadoran labor force is likely to continue in the coming years.

The evidence suggests that the combination of strong economic growth, greater reliance on a more open economy and competitive market forces, along with institutional changes that attenuate for some factors which artificially raised the relative cost of female labor, are opening the way for a greater participation of women in quality jobs in the formal sector.

While women are much more concentrated than men in services, commerce, and manufacturing, since 1989 their distribution among those three sectors seems to be shifting away from commerce and into manufacturing and services. Moreover, as happens with men, women workers are shifting from informal to formal sector activities. Further, even within the informal sector, the occupational structure of women workers is changing. The proportion of women employed as domestic servants is falling. For women in informal sector activities, more and more seem to be engaging in manufacturing and other services. By and large, these events suggest that the labor market conditions of women are improving.

Urban unemployment rates for women have consistently been from 35 to 39 percent lower than those of men. This happens across age groups with the exception of women at prime reproductive age (20 to 39 years). At prime reproductive ages the difference in unemployment rates by gender tends to be less marked and, for some years, females have experienced higher rates. Such narrowing or reversal of unemployment rate differentials by gender is likely to reflect employers' concerns with maternity leave benefits and with dropout rates of female workers after giving birth.

The majority of both men and women face unemployment periods of, roughly, the same duration. However, for workers already in the labor force, women are at somewhat higher risk of suffering longer-term unemployment than men. On the other hand, for first-time job-seekers, the situation is reversed with men being more exposed than women to longer-term unemployment. Such higher exposure for males without prior work experience has become more marked in recent years.

The returns to education are positive and significant for both men and women workers. The difference in such returns by gender are negligible. In contrast, there is a difference in the levels of education of female and male workers. In general, women in the labor force have less education than men. This condition is likely to constrain the access of females to high-paying

occupations and, in all likelihood, is a partial explanation for the lower wages earned by women (see below).

Enhancing access to primary education continues to be a priority. The high proportion of both young girls and boys with no access to schooling is remarkable. While the disadvantages in education for very young girls in urban areas have been corrected in recent years, the same does not hold in rural zones where they still are at a disadvantage education-wise. This means that special efforts should be made regarding girls' access to education in rural zones. Analogously, there is a need for remedial education programs targeted at the older female workers.

In selected metropolitan industries, Salvadoran women workers earn the equivalent to about 82 percent of male workers. However, a remarkable narrowing of wage differentials by gender has taken place in recent years. The rise in the relative wages of women is probably a consequence of the high growth experienced by the Salvadoran economy and the significant expansion of sectors which make intensive use of female workers.

Moreover, the rise in the relative wages of women in recent years is consistent with economic theory and reinforces the impression that their labor market conditions have improved as the economy has opened up.

The study did not find evidence that women tend to be restricted to occupations where their relative wages are particularly low compared to men's in the same occupation. Overall, there is no apparent association between occupational type and relative wages by gender.

Up to 1994 the labor code contained sections which placed women on the same footing as minors and limited their labor market opportunities. In 1994 the Salvadoran authorities made significant changes in labor laws and did away with much of the constraints to female employment. The favorable impact on the labor market prospects for women of the labor-law reforms have been reinforced by changes in family law. The latter enhance the proprietary rights of women and their creditworthiness.

Recent years' progress notwithstanding, women remain at a disadvantage in the labor market. Accordingly, further efforts to enhance the labor market opportunities of women are warranted. Such efforts could be classified in the areas that follows.

Policy and Institutional Reforms

USAID should encourage the creation of a policy and institutional setting conducive to sustainable growth with widely spread

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benefits. This means not letting down on USAID involvement in policy reform issues. On the contrary, reinforcing it.

Where an economy operates in a policy context such as El Salvador's pre-reform years, USAID should seek policy reforms of the type in-process presently in El Salvador. For example, USAID could provide technical assistance for doing away with barriers to entry and exit in specific sectors.

USAID should pursue the financing of *ad hoc* analyses to identify factors such as cumbersome regulations and institutionally determined high transaction costs of setting up businesses that hinder the creation of employment for women. Likewise, in countries where labor market regulations adversely impact the hiring of women, USAID's programs could be catalysts for providing the analysis and awareness of the beneficial consequences of eliminating such regulations.

USAID should not distort markets by attempting to achieve social goals through the price mechanism. Moreover, where the economic policy context is adverse, as in pre-1989 El Salvador for example, and when the authorities are reluctant to change it, USAID's resources for enhancing the economic opportunities of women probably can be better applied elsewhere.

Education and Training

USAID should support a strong push for expanding the educational opportunities available to women. This means access to all educational levels and career paths on parity with males.

Enhancing access to education at the lower levels and advancing literacy and numeracy among girls and young women, especially in rural areas, should continue to be a top priority. This has to be linked to improvements in the education system.

Training programs have to build on private sector indications regarding needs.

Anti-Discrimination Regulation and Enforcement

USAID should help developing countries legislate and enforce regulations against labor market discrimination of women. USAID should provide the expertise to develop or refine regulation and cost-effective implementation mechanisms. The United States' experience with similar efforts should be tapped. The objective would be the relentless and severe prosecution of discrimination.

Reliance on gender-related quotas or preferential treatment is not recommended. Such an approach would run counter to efforts

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to do away with barriers to competitive market forces in which income rewards are linked to productivity and individual effort.

Pre-School Child-Care Services

USAID should finance studies to be completed in the short-term (say, no more than three months) on the viability of different approaches to private-sector child-care facilities based on cost-recovery formulae. Cost-recovery means that all beneficiaries from the services pay for the cost rather than attempting to pass most of such costs to the firms.

The core of the proposed studies should be assessing from a benefit-cost perspective the different child-care options. The studies should include financial analyses of the alternatives as well as economic analyses. The financial analyses would identify different break-even points under different assumptions.

The results of the studies would provide the basis for setting up pilot projects. Such projects would test selected approaches involving modalities of contribution and collaboration among USAID, NGOs, private firms and trade associations, employees of specific firms, and local governments.

The approaches would include: in-firm facilities; consortium centers; parent-run centers; contracted services; NGO funding.

Attracting employee interest in child care services provided through or with the collaboration of the firm or trade association will probably require awareness or publicity campaigns. USAID could contribute to them.

Likewise, USAID might finance analyses of preselected firms in given counties. Management and employees would be interviewed. Costs would be evaluated. The interest of the different parties in the potential arrangements would be assessed.

Statistical Base and Gender Analysis

USAID could help provide the expertise for improving aid-recipient countries' capacity to collect and analyze gender disaggregated statistics.

Introduction

A general issue in processes of policy-induced structural changes resulting in economic growth is how fast do the benefits of such growth reach the poor. A subissue -- and the focus of the present analysis -- is whether women workers are benefiting as much as men and what can be done to enhance the economic opportunities of women.

The issue is important because:²

1. It is a dimension of the income distribution problem and how the benefits of growth are distributed.

- * Women's welfare is increasingly depending on how they do in the labor market and it is known that, generally, they earn less than men and may suffer higher unemployment. Moreover, it is thought that the incidence of poverty falls disproportionately on women.
- * The greatest part of national income, and individual and family incomes, relates to payment for labor.
- * Accordingly, the more women work and the higher their productivity and pay, the better for their families and for the alleviation of overall poverty.

2. It is important for growth.

- * Women account for half of a country's human capital and, therefore, how that capital is used has important efficiency connotations.
- * If used efficiently, the productive capacities of women will be translated into income, and will lead to faster economic growth.

El Salvador is a relevant case study for assessing how the labor market conditions of women can change under policy-induced economic growth and rapid structural change.

This paper examines how women have fared in the labor market since the process of policy-induced structural reforms started in 1989, the disadvantages they still may face relative to male workers, and the policy actions that should be undertaken to

place redress such disadvantages. To meet its objectives, the paper does the following:

(1) Describes the major economic policy changes that have taken place since 1989, their rationale, and the economic performance that has followed;

(2) Reviews the key features and changes in the Salvadoran labor market since 1989 without distinguishing by gender;

(3) Analyzes the labor market for women by focusing on key issues;

(4) Traces out the implications for policy of the preceding analysis and makes recommendations for interventions by international donors

The Setting³

The Pre-1989 Economic Policy Orientation

As with most other Central American countries, the thrust of economic policy favored strong and direct state intervention in the economy. The country had a nationalized banking sector, and the government intervened heavily in traditional exports. Moreover, the development strategy rested on import substitution policies involving import controls, tariffs, selective allocation of foreign exchange and bank credit, and price, exchange rate, and interest rate controls.

Such policies sought to (1) raise the profitability of producing domestic import substitutes and (2) decrease the country's reliance on traditional exports. Moreover, the view that poverty alleviation had to be achieved essentially through asset or income redistribution, not through growth, was held by many -- although growth was an objective of import-substitution industrialization.

Economic integration was used as a mechanism to promote regional growth and intra-regional trade, and as a means to protect local industries from extra-regional protection.

The Need for Change

Economic performance had been very weak since 1979 and living standards fell after that year.⁴ Two types of factors were determinant: (1) exogenous; and (2) policy and related institutions.

The exogenous factors can be summarized as follows. The Central American economies were adversely affected by the world recession of 1981-1982, the oil price hike of 1979 and deteriorating terms of trade, the crisis in the Central American Common Market, and the rise in international interest rates. Moreover, El Salvador suffered serious internal violence.

Nonetheless, the endogenous economic-policy related determinants were also important. As with the other Central American countries, it had a small, labor abundant economy with specialized natural resources. Yet, paradoxically, as mentioned,

The present section relies heavily on J.J. Buttari (1994) and USAID/El Salvador (March 1994).

For example, in 1989 real per capita GDP was some 30 percent lower than in 1978.

it also maintained import-substitution policies which involved high production costs, had an anti-export bias, and penalized agriculture.

Furthermore, the negative effects of the exogenous factors were exacerbated by counter-cyclical policies and additional controls. In addition, as with other developing countries at the time, El Salvador attempted to overcome the fall in economic activity by resorting to external finance.

The crisis, however, was not just another cycle. An economy that had evolved under regional protectionism and import substitution was, by and large, not competitive by international standards, rent seeking was widespread, and capital flight took place in reaction to civil violence and the threat of socialization. Toward the end of the 1980s, and after negative growth early in the decade, the economy was essentially stagnant and a new administration saw no alternative to initiating drastic policy reforms.

Economic Reforms and Performance: An Overview

In 1989 the newly elected administration launched an economic adjustment program which consisted of three components: *stabilization, structural reform, and social protection*. The program was aimed at restoring internal and external balance and reorienting the economy toward more reliance on competitive market forces.

The *stabilization* component included fiscal austerity to reduce the Central Government's domestic financing requirements and improved monetary control to limit monetary and credit expansion to levels consistent with reduced inflation. The government also established a flexible, market-determined exchange rate system to replace an overvalued fixed-rate regime.

The stabilization measures enabled El Salvador to: (1) redirect much of the resources of its financial sector away from financing the public sector deficit toward financing a greater proportion of private investment; (2) improve its export competitiveness and increase private sector confidence.

The *structural* reform component was designed to reduce economic distortions and lay the foundations for sustained economic growth during the medium term. Among others, the structural reforms included: external trade liberalization, financial sector liberalization and privatization, elimination of price controls with only a few excepted items, dismantling of government monopolies in coffee export marketing and domestic sales of basic grains, reduction in public utility subsidies, and privatization of state-owned assets (a major hotel and a free trade zone, for example).

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The tax system underwent drastic changes. All taxes on exports were eliminated. The personal and corporate income tax structure was simplified. The marginal income tax rate fell from 60 to 25 percent. A value added tax was introduced. Tax evasion became a criminal offense. Tax administration and enforcement was strengthened.

The *social* sector component was designed to offset potential short-term adverse impacts on vulnerable population groups and for developing a social safety net for the needy. It included: education and health services to facilitate the access of the poor to opportunities created by an expanding economy, small infrastructure investment projects adopted and implemented at the community level, and a variety of small scale labor-intensive projects financed through a social investment fund (e.g., vocational training, nutrition, reforestation, latrine construction, equipping of classrooms and health centers).

Economic and Social Performance

Economic performance after the reforms has been quite impressive. Since 1979 through most of the 1980s' economic growth had been negative or close to zero. In contrast, relative to 1989, the rate of real GDP growth increased nearly five-fold; moreover, in both 1992 and 1993 real GDP grew by more than 7.4 percent annually, and in 1994 strong growth held at 6.0 percent. The year of weakest growth was 1991 when GDP rose at the respectable rate of 3.6 percent. Given population growth rates mainly below 2.0 percent, real per capita GDP resumed positive growth in 1990 with growth over 4.0 percent in the last three years.

A leading sector in the 1990 economic recovery was agriculture, which grew at almost 8 percent as a result of incentives from better exchange rate policies, elimination of most price controls and lesser state intervention in basic grains and coffee marketing. While a severe drought resulted in no growth in 1991, growth for 1992 and 1993 was of approximately 8.5 and 3.0 percent respectively. Overall, agriculture experienced a slight increase in its share of GDP from 1989 to 1993 (above 23.0 percent in the latter year).

For the years 1989 to 1993, manufacturing, construction, utilities, and commerce have been dynamic sectors. Most of the time, they have grown at rates exceeding those of the overall economy. Manufacturing, which among these sectors has the largest share in GDP, experienced a rise in such share of more than one percentage point for the period (to 19 percent in 1993).

Gross fixed capital formation increased from less than 10 percent of GDP to some 17 percent in 1993. Private sector investment

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rose from 9.5 percent of GDP in 1988 to 12.9 percent in 1993 for an annual real growth rate of some 11 percent.

The increase in investment was primarily financed from national savings which more than doubled their share of GDP from 1990 to 1993 (from 5.2 to 12.0 percent). Gross domestic savings (without remittances from abroad) also doubled to 1.8 percent of GDP during the period.

The changes in private investment and in national and domestic savings reflected the rise in confidence in the future of the economy and a revitalized financial sector. The latter was the consequence of financial liberalization, which led to positive real returns to savers, and a strengthened banking sector.

In reference to investment financing, however, one has to note that while El Salvador has reduced its dependence on foreign savings for the financing of investment (to about 4.0 of GDP in 1993 from almost 7.0 in 1990), the country still depended on foreign savings to finance much of its investment. Nonetheless, this situation is not unusual for a growing developing country.

While inflation has fluctuated during the period 1989-1994, overall it has fallen significantly. It was over 23 percent in 1989 and is estimated at less than 10 percent in 1994.

The fiscal situation has also improved. The consolidated public sector deficit (excluding grants) was brought down from around 6.0 in 1989 to some 4.0 of GDP in 1993, and is estimated at less than 3.0 percent for 1994.

Exports increased by 17 percent in 1990, although they fell in 1991 and 1992 as a consequence of adverse terms of trade that mainly reflected low coffee prices. In 1993 there was, however, a strong recovery which reflected greater export volumes, higher prices for coffee, and an 18 percent increase in nontraditional exports. Drawback exports, which traditionally had been recorded as services and not included in the previous export figures, more than quadrupled from 1989 to 1993.

While exports have exhibited strong growth, El Salvador has experienced a widening of its merchandise trade deficit (to some 16 percent of GDP by 1993). Such deficit has been financed by external remittances, official transfers, private capital inflows, and official external borrowing. In fact, the country has at present a strong international reserves position (equivalent to more than four months of imports of goods and services).

A trade deficit should not necessarily be a cause for worry in a rapidly growing developing country. Nonetheless, a tendency for

real exchange rate appreciation since 1991 is a cause of concern regarding El Salvador's international competitiveness and has been a factor in the set of measures contemplated by the current Salvadoran administration (see below).

Due to the lack of reliable income data it is difficult to assess real changes in poverty in El Salvador. Nonetheless, the prevailing view is that poverty rates increased significantly during the 1980s prior to the economic reform program and have fallen slightly since 1989.

The sense that social conditions are improving is supported by positive rates of growth in consumption per capita and non-income indicators of welfare such as falls in general and infant mortality rates, increases in life expectancy, and improvements in literacy and education conditions. In spite of such improvements, however, poverty and social conditions present formidable challenges to Salvadoran society and development assistance institutions.

Challenges and Ongoing Policy Changes

The country needs to consolidate its achievements and make further progress in four key economic policy areas: fiscal, trade, exchange rate, and public sector management.

While El Salvador has made progress in recent years regarding its fiscal deficit, the government needs to further strengthen its revenue sources and reduce expenditures. To such ends the government is taking action to reduce tax evasion and plans to reduce the public sector payroll.

In the trade area the country needs to further increase its capacity to export efficiently. The channel contemplated for this is a phased reduction in tariffs and effective protection within the framework of the Central American Common Market.

As mentioned, at the time this is written, there is concern about exchange rate appreciation and the eventual need to devalue.⁵ Current plans call for moving from the existing flexible exchange rate regime to a fixed exchange rate system in which local currency can only be issued with a 100 percent backing of dollars. Under the scheme the colon will be fully convertible into dollars at a fixed exchange rate (probably 8.75 colones per dollar) and on demand. The key objective is to generate confidence in the value of the local currency and in the economic policy of the government.

These observations were written in April 1995.

Finally, to raise the overall efficiency with which resources are allocated, the government plans to decentralize public sector services, simplify government regulation, privatize certain services until now provided by the public sector, reform the procurement system, and modernize the social security system.

To sum up, the government strategy, which counts with the support of international agencies, is to further liberalize the economy and expand the scope of the private sector. This is the context in which project-based efforts to enhance the economic prospects for women would take place.

The Labor Market

An Overview

The labor force for 1994 was estimated at some 2 million workers. Given a population of around 5.1 million, the labor force participation rate for the whole population (sometimes referred to as the crude participation rate) was around 39 percent.

Another relevant measure is the working-age population actually in the labor force -- known as the global participation rate. El Salvador, like many developing countries, uses 10 years of age as the dividing line between working and non-working age.

In El Salvador some 74 percent of the population is 10 years or older. Accordingly, the global participation rate is over 53 percent. These rates are relatively high for a country at El Salvador's development level.⁶

In 1994 it was estimated that around 60 percent of the labor force was in urban areas. It is likely that over the last 15 years or so, the proportion of workers in urban areas has tended to rise, a phenomenon observed in other countries. In El Salvador such tendency might have been influenced by out-migration from war zones (mainly rural), and one would not be

For example, the global participation rate is much higher than Guatemala's which has a comparable but slightly lower per capita GNP; it is even higher than Costa Rica's whose per capita GNP is above El Salvador's. See International Labour Office, Yearbook of Labour Statistics, several issues, and The World Bank, World Development Report 1994.

surprised if, with the peace settlement, there might be some reverse migration back to rural areas.⁷

Given the small size and high population density of El Salvador, it is important to note that differentiating rural from urban zones may be even more difficult or arbitrary than usual. In any case, a key point is that the analysis of the urban labor market covers more than 50 percent of the labor force and provides insights into what is happening in the total labor market. With this in mind, the present analysis will focus on the urban labor market and, unless otherwise indicated, the discussion will refer to such market.

As shown in Table 1 the production sector which accounts for the highest share of the urban labor force is *services* (over 29 percent), with commerce and manufacturing following (26 and close to 25 percent respectively). While these statistics are affected by seasonal fluctuations (as the surveys took place in different months), the figures suggest that the importance of manufacturing has steadily risen. Probably this has been accompanied by a fall in the labor force share of agriculture and services.

According to *employment status*, October 1992-March 1993 data show that some 45 percent of the urban workers were classified as "permanently salaried" while some 25 percent were self-employed. The proportion of workers earning "temporary salaries" was around 12 percent. If one compares these figures with the results of the October 1990-March 1991 survey as presented in Gregory (1993a), one finds that the proportion of workers earning permanent salaries rose significantly (some 20 percent), the share of employers rose from 3.1 to 5.8 percent in 1993, the proportion of the self-employed fell somewhat (from 27.5 in 1991 to 25.1 percent in 1993), while the proportion of workers earning temporary salaries was cut almost by half (from 20.1 in 1991 to 11.5 percent in 1993). The proportion of unremunerated family workers remained essentially at the same level with, perhaps, a slight drop.

These are conjectures. As explained by Gregory (1993a), the country does not count with a consistent set of labor market time-series statistics which would enable one to make such type of analysis. Up to March 1991, household surveys covered only urban areas. Surveys in 1992 and 1993 included rural areas but did not include war zones. The timing of the surveys and sampling methods have changed over time thus affecting comparability.

While it is not possible to assess the extent to which the differences in results reflect sampling methods⁸, it is unlikely that most of the differences are caused by changes in sample size and procedures. For example, the rise in the weight of the permanent salaried and the fall in the temporary salaried are of such magnitude that they suggest real changes resulting from interactions with other economic variables. Given that real GDP annual growth rates in 1993 and 1992 were more than twice the 1991 rate (7.4, 7.5, and 3.6 percent, respectively), one would have expected an improvement in labor market conditions.

In fact, the employment status statistics suggest just that: overall, labor market conditions have improved in recent years. A higher proportion of workers were able to find regular employment (i.e. "permanent" jobs); they shifted away from "casual" or "subsistence" activities reflected in the categories of "temporary salaried" workers, the self-employed, and unremunerated family workers.

According to *occupational group*, in 1992 most urban workers were classified as artisans and operatives (21 percent), sales personnel (20 percent), and service workers (15 percent). Office workers comprised 11 percent of the urban labor force, and technicians and professionals made up for 9 percent. The distribution for 1993 is essentially the same.⁹ Unfortunately, no clear comparison can be made with the preliminary estimates for the first semester of 1994 due to a change in the way the occupational groups are defined during the latter year.¹⁰

Urban unemployment rates have ranged from 8.4 percent in 1989 to 7.5 percent in early 1994, thus suggesting an overall improvement in unemployment. However, the reported rates fluctuate significantly during the intervening years and it is hard to establish a trend. The fluctuations are surely heavily influenced by the timing of the surveys and changes in methods.

As happens in most other countries, unemployment falls with age. In 1993, for example, some 50 percent of the urban unemployed were persons 15 to 24 years of age.

The October 1990-March 1991 figures are based on a sample of about 6000 households while those for October 1992-March 1993 are based in some 12000 urban households.

As expected. The 1992 data refer to data from the April-September 1992 survey, while the 1993 data were gathered through the October 1992-March 1993 survey.

At least in the preliminary tabulations by the Ministry of Planning (MIPLAN).

Regarding unemployment rates and education, for the urban labor force as a whole (i.e. both sexes), unemployment rates are lowest for persons with post-high school education and for those with little formal education. In 1993, for instance, the unemployment rate for persons with post-high school education was 6 percent, while the rate for persons with no formal education, or with 3 years or less of formal education, stood at 7 percent. Unemployment rates for other education levels ranged between 8 and 10 percent.

Similar results were reported for 1991 by Gregory (1993a) who explained that the low levels of unemployment associated with very low education levels reflect that workers of very low education are likely to have low expectations or higher needs and, thus, are less choosy regarding jobs. People with intermediate levels of education, on the contrary, tend to have higher expectations and can depend on relatives' incomes while engaged in longer job searches. The low unemployment rates for highly educated workers are likely to reflect their relative shortage.

Little can be said about the changes in absolute wages in recent years. The data collected by MIPLAN on earnings are not adequate for wage analysis.¹¹ What one can safely say is that the consensus among economists is that real wages fell significantly during the 1980s and that wages probably have bottomed out in the last couple of years.

Summing up, the changes in economic policy that have taken place in El Salvador since 1989, and the improved economic performance since then, have been accompanied by labor market transformations. In general, the empirical evidence suggests an improvement in labor market conditions. The issue, as it relates to gender, is whether women have shared the benefits of such improvement.

See Gregory (1993a and 1993 b). MIPLAN officials acknowledge that income data from the household surveys are much less reliable than data on other variables.

The Labor Market for Women

This section will focus on selected issues relating to how women fare in the Salvadoran labor market relative to men and how their relative condition has changed since the late 1980s.

What is the weight of women in the labor force? Implications?

Women account for close to 40 percent of El Salvador's 2 million workers. That proportion probably will rise further as the labor force participation rate for men between the ages of 20 and 49 may have peaked in recent years while the rate for women has risen steadily.

Women's share in El Salvador's labor force is high by developing country standards. For example, in the early 1990's the share for Guatemala was 26 percent, for Costa Rica 30 percent, for Honduras 31 percent, and for Venezuela 32 percent.¹²

The high and probably rising proportion of Salvadoran women in the labor force indicates that how women fare in the labor market in terms of remuneration is an important determinant of family income and poverty alleviation in the country. Moreover, it underlines the importance of allocating efficiently the skills embodied in the female labor force. Such skills are an important contributor to economic growth potential.

What determines the high proportion of women in the labor force?

The high proportion of Salvadoran women in the labor force is a reflection of their high labor force participation rates (participation rates for short). While for most Latin American countries the participation rates are below 30 percent, preliminary 1994 estimates for El Salvador (whole country) place it at around 38 percent. As shown in table 2, for urban areas the rates range from 40 to around 45 percent.

Regarding what determines the high female participation rates two often mentioned possibilities (Gregory 1993a) are: (1) the civil conflict (late 1970s to early 1990s), which led to significant male outmigration and forced women to fill their places in the labor market; (2) the fall in real wages experienced during the

These estimates are based on International Labour Office, Yearbook of Labour Statistics (1993). The figures should be taken as approximate due to differences in the methods used to collect them. Yet, they are useful orders of magnitude.

last decade or so may have induced women to join the labor force to smooth the fall in family income.

It is likely that both factors have played a role. Still, one has to bear in mind that rising female participation rates is a trend taking place throughout Latin America and in many other developing regions. Accordingly, a component of the high rates in El Salvador is very likely to be just a reflection of a long-term trend. Unfortunately, it is not possible to establish whether such long-term component has been stronger in El Salvador.¹³

The high proportion in El Salvador of households headed by women (close to 30 percent) is consistent with the hypothesis that internal strife and male outmigration have tended to raise female participation rates. While, as noted, the fall in real wages may have been another factor, one could think that as the fall in real wages subsided, the rise in female participation rates would slow down. There, however, is no evidence of such slowdown even though, as mentioned, real wages may have bottomed out already.

The female participation rate in urban areas for the first semester of 1994 was estimated at 47 percent. For October 1992-March 1993 it was 46 percent, while from 1990 to early 1992 it fluctuated around 44 percent. While the yearly differences may be affected by survey procedures, there is no indication of falling participation rates for women.

Gregory (1993a) examined the determinants of the labor force participation rate for women in El Salvador.¹⁴ He found that, up to age 50, there is a positive association between age and being in the labor force (i.e., up to age 50 the older a woman becomes the higher the probability of being in the labor force). He also found positive associations between female labor force participation and education, the status of being the head of a household, living in a metropolitan area, size of household, and being married. In contrast, he found that, other things equal, the higher the family income the lower the participation rate.

The relationship between age and female labor force participation differs from Gregory's a priori expectations. In accordance with the experience in other countries, he reasoned that women might be expected to join the labor force when young and withdraw from

The data do not allow one to determine whether the participation rates were high in the pre-war years.

Following standard regression methods, Gregory regressed labor force participation on age, education, household status, size of household, region, family income, and marital status.

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the labor force later after marriage and bearing children. The positive association between participation and age (up to age 50) of course reflects the prevalence of the economic and cultural forces that discourage it.¹⁵

With one exception, Gregory's other results are in accordance with theory and expectations. Special interest attaches to the fact that education raises the value of time in the labor market relative to time in household activities and thus tends to raise labor force participation. Accordingly, other things equal, as the educational level of Salvadoran women continues to rise (see below), one could expect rising female participation rates to continue in the coming years.

The exception is the unexpected finding that marriage increases the probability of female labor force participation. One may speculate that marital status could be catching the effect of third (cultural?) variables which lead the women who marry to also participate in the labor market.

Have female and male participation rates followed the same patterns?

No. While in recent years the participation rates for men aged 20 to 49 in urban areas have tended to drop, the contrary is the case with the rates for females of the same age group -- see table 2. The difference underscores that, if either or both trends continue, the relative importance of women in the labor market will continue to rise.

Do the male and female distribution of the employed labor force by production sector differ? How?

Yes, the distributions differ significantly.¹⁶ While for both genders services, commerce, and manufacturing account for more than 50 percent of urban employment, women are much more concentrated in those three sectors than men.

In a personal communication, Suzanne Gleason has suggested that the correlation between age and female employment might be affected by employers unwillingness to discard firm-specific human capital built up by women who worked during the civil war.

The distributions are statistically different at a 1 percent level of significance.

According to the October 1992-March 1993 and April-September 1992 surveys, those three sectors accounted for some 93 percent of urban female employment (see tables 3 to 6). In contrast, they only accounted for around 65 percent of urban male employment. Men are more evenly spread, construction and even agriculture accounting for significant proportions of their urban employment.

The high concentration of women in services, commerce, and manufacturing as a group does not seem to have changed much since 1988. Nonetheless, the distribution of female employment *among* those three sectors does seem to have changed with a *shift from commerce into manufacturing and services*.

The increase in manufacturing's share of urban female employment suggests an improvement in the job opportunities for women as nontraditional activities have expanded. Such interpretation is consistent with the changes in the distribution by formal-informal subsectors discussed in the next section.

The productive sector distribution of male urban employment, in contrast, has remained pretty much the same over recent years.

How about the relative distribution of women by formal (modern) or informal sector?¹⁷ Any related noteworthy change?

In urban areas, while most men work in the formal sector, most women work in the informal sector. The differences in the formal/informal distribution by gender are considerable -- see tables 3 to 6.

According to the October 1992-March 1993 household survey results, while 38 percent of the urban males workers worked in informal establishments, the proportion for women was 57 percent. Naturally, if women working as domestic servants were counted as working in informal sector establishments (which the surveys do not do) the proportion would be even higher.¹⁸

Nonetheless, in terms of changes in the weight of informal sector establishments as sources of employment in urban areas, for *both women and men* the importance of informal sector establishments

In the household surveys carried by the Planning Ministry the informal sector is defined as consisting of the self-employed, employees, employers, and family workers in establishments with fewer than 5 workers excepting workers in professional, administrative, and technical occupations.

Some 62 percent.

fell by 10 percent from early 1991 to early 1993. Accordingly, on the commonly accepted assumption that working in formal sector establishments is more advantageous than working in informal sector establishments, the economic changes of the last couple of years have benefitted *both* genders.

Moreover, specifically regarding women, the statistics suggest a significant occupational shift *within* the informal sector. *Female domestic servants account today for a much lower proportion of females in the informal sector than a few years ago.*

As reported by Gregory (1993a, page 12), domestic servants accounted for 78 and 70 percent of the female informal service employment in urban areas in 1988 and early 1991, respectively. By 1993 that proportion had fallen to around 52 percent. *What this means is that women were shifting from domestic service to other types of informal services.* While it is not possible to infer this from the statistics, it is likely that such other services may offer women more opportunities to develop skills needed in formal sector activities, as well as more job satisfaction and, perhaps, shorter working hours.¹⁹

Other changes within the distribution of urban female workers in informal establishments point in the same direction. For *instance, while in early 1991 the share of manufacturing in informal female employment was 22 percent, in 1993 the share had risen to 28 percent.*

How about the gender intensiveness of employment by productive sector? Are women in the most female-intensive sectors in the formal or in the informal subsectors?

Repair services would be an example. One could question whether leaving domestic service does entail an improvement in labor market conditions. For instance, in a private communication Suzanne Gleason points out that as a domestic servant a woman may be allowed to bring her young children with her (a benefit) and that other jobs may increase income uncertainty. However, during the period, El Salvador's has been a growing economy with expanding labor market opportunities. The fact that women choose to leave domestic service strongly suggests that they prefer other occupational alternatives. Moreover, the impression that the supply of housekeepers is becoming scarcer is shared by many Salvadorans.

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The answer may be gleaned from tables 3 to 6. Gender intensiveness may be measured by the gender distribution of the workers in a sector.²⁰

According to this measure, in 1992, the most female-intensive sector was services (63 percent of its workers were women), with commerce (55 percent), manufacturing (48 percent), and finance (46 percent) following.

Of these sectors, the one with the highest proportion of women in the formal sector was finance (95 percent). *One implication is that women who were able to find employment in finance had a very high probability of working in the more attractive segment of the sector (i.e., the formal subsector).*

Nonetheless, in terms of the *potential of finance as a source of future employment for women*, optimism must be toned down by the fact that only slightly over 2 percent of females employed in urban zones worked in finance. *Even if the financial sector expanded significantly, it would be unlikely to surpass services, commerce, or manufacturing as a source of jobs for women in the coming years.*

If one doesn't count domestic servants, the service sector was the sector with the next highest proportion of female workers in formal establishments (60 percent). *This plus the fact that the sector employs some 33 percent of the employed female labor force (excluding domestic servants), and the shifts taking place within the sector (women moving out of domestic service into other services as mentioned previously), suggest that services will continue to be an important source of employment for women in the coming years. Moreover, the sector might be a good entry point into formal activities.*²¹

Manufacturing is a sector of great interest and potential:

it is an important source of jobs for women -- in 1992
24 percent of the women employed in urban areas were in
manufacturing;

as seen, it is relatively female-specific (48 percent
of its workers are women);

For example, if 55 percent of the workers in sector A are women, while only 30 percent of workers in sector B are, one may say that sector A is more female intensive than sector B.

Naturally, the inclusion of domestic servants in the services sector would change the statistics but would not change the essential points raised here.

over 40 percent of the women employed in manufacturing are in formal subsector establishments.

Given the policy emphasis in liberalizing the economy, the apparent comparative advantage of Salvadoran producers of manufacturing is likely to result in future rises in nontraditional exports (many of which are manufacturing-based). *A corollary is that manufacturing has potential as a source of relatively good employment opportunities for women in the coming years.*

Finally, commerce has the highest proportion of its female workers in the informal segment (82 percent). It probably serves as an entry point into the urban zones for rural-urban migrants, as well as probably absorbing a significant number of female workers leaving domestic service. It is likely to continue to perform an important role as an employer of women but, hopefully, one would see a shift from informal to formal subsector activities in the future.

Do the male and female distributions of the urban employed labor force by occupational group differ? How?

The distributions differ significantly.²² For example (table 7), the October 1992-March 1993 survey figures show that females were concentrated in sales (28 percent of the employed female labor force), services (24 percent), office workers (12 percent), and non-agricultural laborers (11 percent). Males, instead, were employed as artisans and operatives (30 percent), sales (14 percent), and agricultural laborers (12 percent). As happened with the distribution by productive sector, men are more evenly spread than women across the spectrum of occupations.

Other noteworthy traits of the October 1992-March 1993 figures are that, while the proportion of women in professional occupations is very close to that of men, the proportion of women in managerial occupations is less than one-half that of men. *The sense that women may have found it harder than men to gain access to manager-level occupations is reinforced by the fact that while the ratio of total employed men to employed women in the urban labor force was 1.12 (511,262 men to 455,066 employed women), the ratio of male to female managers was 2.97.*

The situation for 1992 was essentially the same according to April-September 1992 figures.

They are statistically significant at a level of 1 percent.

One would not expect to see dramatic changes in the occupational distribution in a matter of one year or less. Accordingly, one would expect the occupational distributions for the first semester of 1994 to be essentially the same as those for early 1993. Unfortunately, the occupational classification used by MIPLAN in the preliminary results from the 1994 household survey seems to differ from the one used in the previous surveys. The available 1994 tabulations distinguish between managers, scientists, and professionals, whereas the previous surveys only distinguished between managers and professionals.

Nonetheless, the 1994 preliminary estimates may be indicating some change in the access of women to higher-level occupations. As in the previous years, professional occupations absorb more or less the same proportion of males as females (around 8 percent for each). However, *while managerial occupations account, as before, for a greater proportion of male than of female employment, the difference is less marked -- 4.5 percent versus 3.2. This may reflect, nonetheless, just a reclassification of some office employees into managerial occupations. This issue merits further study.*

All things considered, *there is a basis for concluding that helping create the conditions for enabling women to compete on an equal footing with men for access to the top occupational groups is a relevant objective in El Salvador.* How this should be done is discussed later in this report (last section on policy implications).

Do the male and female distributions by employment status differ? Any trends?

The employment status group with the highest relative frequency for both men and women is "permanent salaried".²³ However, the proportion for men has been much higher than for women (for the three last years the proportion for men has oscillated around 50 percent, for women around 37 percent). On the other hand, while the proportion of men who have worked as "permanently salaried" shows some decrease since 1988, the proportion of women in the same category has remained relatively stable.

The decrease in the "permanent salaried" group for men has been accompanied by a rise in the share of "employers", which might be interpreted as an improvement in their employment status. On the other hand, the proportion of "self-employed" men has also tended to rise, which could reflect a shift from the formal to informal

The main groups are: employer, self-employed, unremunerated family worker, permanent salaried, temporary salaried, and domestic service.

activities. So in terms of what employment status tells about how men have done in recent years, the picture is unclear.

It is difficult to detect trends over time. As Gregory (1993b) points out, the weight of permanent and temporary salaried workers fluctuates significantly from year to year, which tends to blur any inference one can make from the changes in these categories during short periods of time.

Other differences are: the proportion of men who work as employers is twice that for women; while the proportion of men working as domestic servants is negligible, the proportion for women has been above 10 percent.

Two relatively clear time trends, however, are evident for women: (a) the fall in the proportion of women employed as domestic servants (from some 16 percent in 1988, to 11.5 to 12 percent in 1992-1993, and about 11 percent in the first semester of 1994); and, (b) a fall in the proportion of women who are temporarily salaried (from close to 9 percent in 1988 to between 5 and 6 percent from 1992 to 1994).

These changes in the distribution of women according to employment status have been accompanied by some rise in the proportion of women in the employer category, but mainly in the proportion of women who are self-employed (around 29 percent in 1988 to some 36 percent between 1992 and 1994). These changes are consistent with previous comments regarding changes in the distribution of female urban workers in the informal sector mentioned previously. By and large, *they reinforce the impression that the labor market situation of women during recent years has improved.*²⁴

What is the unemployment situation of women compared to that of men?

Two ways of addressing the question is by looking at open unemployment rates and the duration of unemployment. In terms of the former, by and large, urban rates have tended to fall since 1988 and this holds for both men and women -- see table 8.

The proportion of women employed as "unremunerated family workers" shows no clear pattern. In 1988 it was estimated at 6.3 percent. Then it shows a rise to around 9 percent in 1991, followed by a drop to less than 6 percent in April-September 1992. The October 1992-March 1993 survey, however, shows an increase to somewhat over 7 percent and the tentative figures for the first part of 1994 have it at some 8 percent. While the lack of a clear time pattern regarding female unremunerated family workers, and the possibility that their proportion has increased in the last couple of years, do not support the text's conclusion, they do not offset the other favorable changes noted in this report.

An interesting and consistent pattern over the years is that the urban unemployment rates for women have been lower than for men. While the difference in the rates has fluctuated over time, women in urban areas have consistently experienced unemployment rates which are 35 to 39 percent lower than those of men.

Moreover, with an important exception, the lower unemployment rates for women take place across all age groups. The noteworthy break in such pattern tends to occur, especially, at the prime reproductive age groups of 20 to 39 years of age. For instance, in 1991, while for other age groups the unemployment rates for men were higher, for age groups 20-to-39 unemployment rates for males were lower.

However, as shown in table 9 and as has happens with other age groups, for the period October 1992-March 1993 the unemployment rates for men were higher than for women in all age groups. Still, even in this period, for the age subgroup 20-to-24 years the rates do not seem to be significantly different and the difference for the 30-to-34 subgroup is relatively small.

The relatively high unemployment rates for women of prime reproductive age is likely to reflect employers' concern with maternity leave benefits or dropout rates after giving birth. Such interpretation is consistent with anecdotal reports regarding labor market dynamics in El Salvador (see comments on labor legislation below).

It is noteworthy that, as happens in most other countries, youths tend to experience the highest unemployment rates for both men and women. Excepting the younger age group (10 to 14 years), as noted above, unemployment tends to be a decreasing function of age. However, as reflected in table 9, such pattern is clearer for women than for men whose unemployment rates experienced rises in the middle-age groups.

Summing up, one can say that the unemployment situation has tended to improve as growth has taken place and that both genders have benefitted. The fall of unemployment rates in the face of rising participation rates is important and highlights the significance of economic growth (Gregory 1993a).

Another implication directly relating to the labor market situation of women is the need for the government to be very cautious when setting regulations or practices which might raise the relative cost of hiring women of prime reproductive age -- when their highest unemployment tends to occur.

By the same reasoning, to the extent possible, it is important to avoid policies -- minimum wages above free market equilibrium for example -- that discourage the hiring of the young and presumably more inexperienced workers.

How about duration of unemployment?

This dimension is important because high unemployment rates with short periods of unemployment suggest a market with abundant job opportunities in which unemployment reflects, basically, a significant amount of mobile workers between jobs (Gregory 1993b).

Moreover, long periods of unemployment tend to decrease a worker's ability to be reemployed at conditions similar to what the worker enjoyed in the past. Long-term unemployment may even make a worker "unemployable".

For analysis, it is convenient to distinguish between workers with and without prior work experience. As table 10 shows, for October 1990-March 1991, women showed a tendency to be unemployed for longer periods than men for both experienced and inexperienced workers. While only some 17 percent of unemployed men with previous work experience suffered from periods of unemployment one year or longer, 29 percent of the unemployed women were in that situation. Analogously, the proportion of experienced unemployed men with less than one month of unemployment was about twice the proportion of women. However, for both experienced men and women, the bulk of unemployed workers suffered from unemployment which ranged from 1 to less than 12 months (65 percent of men, 62 percent of women).

For workers with and without previous experience, the 1990-early-1991 distribution was similar. Both unemployed men and women had basically the same proportion of persons unemployed for periods ranging from 1 to less than 12 months. The differences were for the proportion of workers facing short unemployment spells (less than 1 month) and long-term unemployment (1 year or more). The proportion of men in short-term unemployment was about twice that of women. For persons in long-term unemployment, while women still showed a higher proportion than men, the difference was much less than for workers with previous experience.

What is one to make of these data? *For experienced workers, the data are consistent with the hypothesis that the incidence of frictional unemployment was higher for men than for women.*²⁵

One can think of frictional unemployment as the unemployment that results from the time needed to match workers with vacancies. Accordingly, one can take it as a relatively "benign" form of unemployment.

The obverse hypothesis, of course, is that longer-term unemployment afflicted women more than men.

On the other hand, the distributions by gender of unemployment duration might just reflect the fact that women were able to engage in job search for greater lengths of time than men. To assess the seriousness of the higher proportion of women in the intervals of more than one year of unemployment, one would need other information -- for example, the proportion of household heads by gender facing longer unemployment, the intensity of job search, and so on -- than that available in the published tabulations by MIPLAN.

One may dwell on what the overall duration of unemployment data reflected about conditions in the labor market. In this respect, Gregory (1993b) makes a sensible point. He reasons that while the substantial proportion of workers facing unemployment of more than 4 months (38 percent for men, 50 percent for women) was indicative of a labor market in which finding jobs was difficult, on the other hand, the fact that some 62 percent of men and 50 percent of women were able to find jobs in less than 4 months meant that the difficulty did not seem extraordinary at least for workers with prior experience.

While the high proportion of workers without previous experience who are unemployed for periods longer than 4 months (65 percent for men, 62 percent for women) could be indicative of great difficulty in engaging in successful job search, on the other hand one has to bear in mind that in this category one would expect to find relatively young, first-time, workers who may be less committed to serious search.

How has the distribution by unemployment length changed over time?

Relative to the 1990-91 figures, the April-September 1992 survey results show little difference regarding the distribution by gender for workers with previous work experience (table 11). For workers without experience, however, the situation changes. Women show a slightly higher proportion than men in the less than 1 month class and a lower proportion in the 1-year-or-more group.

The October 1992-March 1993 survey results for urban areas show basically the same distributions for unemployed men and women with previous work experience as the previous two surveys (table 12). The bulk of unemployed men and women face unemployment of more than one month and less than a year. Yet, a higher proportion of women had been unemployed for more than a year, and

a higher proportion of men had been unemployed for less than a month.

Once again however, as in the April-September 1992 data, for workers without prior experience, men seemed to suffer a higher incidence of long-term unemployment than women, with the proportion of women facing unemployment of just less-than-a-month higher than that of men.

Summing up, the majority of unemployed men and women in urban areas, whether first time job seekers, or experienced workers, face unemployment periods of roughly the same duration (i.e. there is little difference between the genders).

However, the data are consistent with the proposition that women who lose or change jobs and become unemployed are at higher risk of facing longer-term unemployment than men. Whether this depends on their civil status and availability of other sources of income, or something else, is not possible to tell on the basis of published information.

On the other hand, at the extremes, for first-time job seekers, women seem less prone than men to suffer long spells of unemployment and, likewise, the incidence of very-short term unemployment (less than 1 month) is higher among them. Whether this is because young women are faced with fewer job options than young men -- and therefore their narrower expectations lead them to take first offers faster -- is not possible to tell with the available information. Nonetheless, as with workers with previous experience, it is important to note that the majority of worker, of both sexes face unemployment periods that range between 1 and less-than-12 months.

Education and The Labor Market for Women

Two relationships stand out: the relative educational situation of women and men; and, the interaction between education and wages. Consequent issues are whether the association between education and wages differs between men and women, and the policy implications.

While most persons acknowledge that education is an important factor in achieving higher earnings, some analysts think that, in El Salvador, the impact of education on women's earnings is

weaker than for men.²⁶ USAID/El Salvador-sponsored research addressed this issue (Gregory 1993b).

Gregory applied conventional methods in applied economics to analyze the correlates of earnings. He regressed earnings on a set of variables which, among others, included education, experience, and hours worked. The regressions were run separately for men and women.

He found that each additional year of schooling is associated with increases in earnings of 8.7 and 8.1 percent for men and women respectively. The statistical results are significant. The differences between returns to education by gender are so small, however, that they are unlikely to be statistically significant.²⁷ While the absolute level of remuneration for women is lower than for men (see below), the proportional increases in earnings associated with additional schooling is the same.

Gregory's results offer strong support for increased investment in education and affirm that there is no significant difference by gender in the returns to education. Accordingly, *policy efforts to improve the labor market situation of women should continue to emphasize education as an important avenue.*

Now what is the educational condition of women relative to men's? Overall, women suffer from lower education levels than men (tables 13 through 19).

In 1992, while the proportion of males 10 years or older without any formal schooling was under 10 percent, the proportion for women was 17 percent. While 32 percent of females had at most 3 years of formal schooling, the proportion for men was 23 percent. Over 11 percent of men had 13 years or more of schooling; only 8.6 percent of women had.

See for example, (World Bank June 1994) and World Bank (1995). Moreover, during meetings with gender specialists from international development institutions it became evident that some of them were willing to accept the proposition of a relative weaker impact for women in El Salvador.

Experience also showed a significant and positive influence on earnings. Formal sector employment is associated with higher earnings and so is employment in the metropolitan area of El Salvador. Gregory's results are consistent with a priori expectations and suggest that, in El Salvador, existing income data distortions do not result in unconventional coefficients.

Except for persons with higher education, the 1992 labor force exhibited similar characteristics. The proportion of female workers without formal schooling was much bigger than that of males (16.5 versus 11 percent). A much higher proportion of women workers than of men had at most only 3 years of schooling. Nonetheless, the proportion of workers with 10 years or more of education was more or less the same for each gender.

As for the country's population as a whole, a higher proportion of men than of women had received higher education. The leveling of the schooling distribution by gender of the labor force at high education levels means that many of the low-educated women chose to remain outside the labor force.

The 1992 distribution of the *employed urban labor force* shows a similar pattern of a higher proportion of employed women who have no education, while the proportion of employed women with higher education is not very different from that of men. Surely, the higher proportion of uneducated women in the employed labor force means that a higher proportion of women workers than of men are limited to filling unskilled, low-paying occupations.

For the urban population 10 years or older and the employed labor force, the situation in 1994 was essentially the same. A much higher proportion of females had no schooling, or had schooling of three years at most. For the urban population, the proportion of males with higher education was significantly larger than that of females; for the employed labor force the difference was small.²⁸

While the proportion of the male and female populations with 1 to 6 years of schooling is about the same, the proportion is lower for women for the group of 7 to 9 years of education --this suggests that a lower proportion of women finishes primary education. Likewise, the proportion is lower for women in the group of 13 years of education or more which suggests that a lower proportion of women finish graduate studies.

What all this suggests is that more women than men are constrained in their access to relatively high-paying occupations by lower education levels. Such lower education probably is a partial explanation of the lower wages that, overall, women earn.

Now, according to a preliminary analysis of the most recent population census, the relative educational situation for young girls seems to be improving (Arriaga and Reed, no date). This is a widespread notion which is only partially confirmed by the latest survey data.

One should note that the preliminary 1994 results for rural areas are not very different to those for urban areas.

If the proposition that the relative education of girls is rising is correct, one would expect to find in 1994 that the education level for young girls, say 6 to 9 years of age, is closer to that of boys of the same age than is the case with women overall and, especially, older age groups. Table 18 indeed supports such contention for the urban population.

While 41 percent of girls aged 6 to 9 in urban areas had no formal schooling, the corresponding proportion for boys of the same age was even higher: over 48 percent. Moreover, while only some 1.4 percent of the boys had between 4 and 6 years of schooling, the corresponding proportion for girls was more than twice that. Summing up, in 1994, very young girls in urban areas had more schooling than boys of the same age.

In contrast, for the higher age brackets, the situation is reversed. For instance, at age 30 to 39, almost 14 percent of women had no formal schooling, while the proportion for men was much lower (8 percent). Analogously, for that same age group the proportion of men with higher education is larger than that of women. At an even higher age bracket (50 to 59 years), the situation is similar.

These results are consistent with the proposition that in recent years, in urban zones, young girls have caught up with (and even surpassed) boys in terms of education. They suggest that special efforts have been made in terms of increasing girls' access to education.

Would the same conclusions hold for rural zones? Not quite. As per table 19, girls 6 to 9 years of age show a somewhat higher proportion of individuals without formal schooling than boys, although the difference is small (some 68 to 66 percent). This suggests that, in rural areas, while girls may be catching up with boys, they still are not there.

The relative disadvantage of young girls in rural zones becomes more important if one considers that, while 44 percent of the Salvadorans 6 years or older live in rural zones, most of the 6 to 9 years old live in rural zones (53 percent). A significant proportion of the latter are likely to migrate later to urban areas where, lacking adequate skills, they would add to the education deficit among older urban women and have access only to low-paying jobs.

Four policy relevant conclusions can be derived from the data thus far reviewed. The first is that both in rural and urban areas a high proportion of young girls and boys have had no access to schooling. This means that access to primary education continues to be a priority. Second, as one would expect, the need for access to education is more serious in rural areas.

Third, girls in rural areas still are at a disadvantage relative to boys and their condition still needs special attention.

Finally, there is a need for remedial education programs targeted at the older female workers (say above age 20), who are at a disadvantage relative to men in terms of their educational levels.

Wages and the Wage Structure

The issues are multiple. For instance: How much do women make relative to men? Are wage differentials widening, narrowing, or stable? Is there a pattern to the differentials? Factors influencing change in differentials if any? Policy implications?

In El Salvador, as almost everywhere, women generally earn lower wages than men. The factors behind such lower earnings are various and include outright wage discrimination²⁹, barriers to women's access to higher-paying occupations, and differences in human capital endowments (education and experience).

A recent study has placed overall earnings for women in 15 Latin American countries at some 71 percent of male earnings for the early 1980s (Psacharopoulos and Tzannatos 1992). An even more recent study for a subset of six Latin American countries shows a narrowing of wage differentials by gender during the 1980s, with women making an average of close to 80 percent of men's wages toward 1990 (Winter 1994).³⁰

The most reliable wage data for El Salvador are consistent with these estimates.³¹ In the metropolitan zone, women employed in manufacturing, commerce, construction, and services made some 82

Defined as a situation in which men make higher wages than equally productive women. In practice, this means higher wages for men than for women of comparable skills in the same occupations and industries.

These results are mainly for urban or metropolitan areas.

The results relating to wage ratios by gender commented in this section are not affected by differences in the average number of hours worked per week. The average number of hours worked per week in the surveyed industries does not differ significantly between men and women. See FUSADES labor market surveys.

percent of what men earned per time period in the same sectors.³²

As one may see (table 20), gender wage differentials in El Salvador have narrowed considerably in the relatively short period from July 1992 to July 1994. Something similar has been found for other Latin American countries, but the compression of the wage differences has been faster in El Salvador.³³ This result validates Gregory's impression that the relative wages of women were rising (Gregory 1993a).

During 1992-1994, relative female wages in manufacturing rose from 57 percent to 75 percent, in construction from 123 percent to 146 percent, in commerce from 66 to 69 percent, and in services from 79 to 88 percent. The narrowing of the wage ratios³⁴ by gender holds even if one compares the last two periods (December 1993 and July 1994) with the first two (July 1992 and December 1992), or the last three with the first two.

One can only generalize in this report about the causes for the rise in the relative wages of women. But it seems safe to reason that *the high growth experienced by the Salvadoran economy has been accompanied by an expansion in sectors which make relatively intensive use of women -- maquila, for example. Moreover, the rise in the relative wages of women suggests that the relative demand for women workers has risen faster than the relative supply of female labor.*³⁵

The source for the wage data used in this section is FUSADES, Labor Market Surveys. These establishment surveys are designed to collect hourly and monthly wage data by gender, occupation, and industry, as well as other pertinent labor market information such as gender composition of workers in specific occupations and hours worked. The surveys take place in July and December of each year and started in July 1992. The data originate in establishments of various sizes, big and small, of the metropolitan area of San Salvador. In general, wage information obtained directly from establishments is more accurate than the same type of information obtained through household surveys.

See Winter (1994).

Of course, an exception is construction where the female-male wage ratio has widened. The problem is that so few women are employed in construction that such widening has little if any practical significance. On the other hand, the key point made in the text that the relative wages of women are rising holds even in the construction industry.

"Relative" in this sense refers to the demand and supply for/of women workers compared to the demand and supply for/of men workers. One should not forget that, as pointed out in earlier

The impact of the relative demand and supply factors has probably been reinforced by a decrease in the prejudices which lead to wage or occupational discrimination by gender. Such decrease in prejudices is likely to occur faster in rapidly liberalizing economies in which competitive forces become ever more determining in economic decisions.

Moreover, the above explanations would be consistent with the changes in the occupational distribution discussed in earlier sections, and with the generally pervasive impression among Salvadorans that labor market conditions for women have improved.

In addition, the narrowing of gender wage differentials would be also consistent with the general tendency for a narrowing of the wage structure under conditions of falling unemployment, growth, and labor market tightening (Reder 1955; Rees 1973).³⁶

Factors Influencing The Wage Structure

As suggested, the lower wages of women may reflect the effect of the following factors:

1. women have less access than men to education and other forms of human capital;
2. occupations in which women are a high proportion of workers are those in which the relative wage of women is particularly low;
3. women have access mainly to low-paying occupations even if they are endowed with the same levels of human capital as men; and,

sections, the participation rate of women has continued to rise in El Salvador. This makes the rise in the relative wages of women more remarkable.

In periods of labor shortage, skill wage differentials tend to narrow. One reason is that unskilled workers are able to extract the wage rates that compensate for the generally more unpleasant nature of their occupations. Moreover, as skilled workers tend to become scarcer, semi-skilled workers are promoted to skilled occupations. One may conjecture that, by the same token, as the Salvadoran economy has grown in recent years, employers have probably been more willing to hire women into positions to which they had less access in the past.

4. women are more or less uniformly paid proportionally lower wages than men across occupations regardless of the proportion of women workers in the occupations.

In previous sections the present report argued that, in El Salvador, women are indeed endowed with lower levels of human capital (education) than men, although that situation is changing among the very young. Accordingly, as previously noted, lower education levels can help explain *part* of the wage differentials by gender.³⁷

In exploring some of the other patterns or explanations for lower relative wages, it is important to note that, as in other countries, Salvadoran wage differentials by gender show significant dispersion by industry and occupation. It is then natural to explore whether the narrowing of wage differentials by gender mentioned above occurs even after controlling for occupation. Moreover, whether there is an association between the narrowing and the proportion of female workers in specific occupations and industries.

To control for wage dispersion relating to different occupations, tables 20 and 21 show the ratio of women's to men's wages in eight major occupations by industry for each of the establishment surveys. In table 22 the occupations in each industry have been ranked according to the wage ratio (women to men) and the proportion of women employed in each occupation.

The intent was to explore whether the female-intensive occupations (i.e., those employing high proportions of women) tended to be occupations in which women earn particularly low wages relative to men. If such were the case, one would have a negative association between the two types of rank. Such negative association would be consistent with gender discrimination through restricting women to occupations where their relative wages are particularly low compared to men's in the same occupations.

*The Spearman rank correlation coefficients do not support the contention of such type of employment discrimination.*³⁸ Most of

Notice that the text highlights "part". Although opinions differ, recent analyses have concluded that differences in education and other human capital variables explain less than 50 percent of the differences in wages (Psacharopoulos and Tzannatos 1992).

The Spearman rank correlation coefficient measures the degree to which two variables are associated with each other in rank or ordering. The coefficient will take values between plus

the rank correlation coefficients were not statistically significant, thus indicating a lack of pattern. Moreover, the four coefficients that were significant were positive. Further, of the 20 coefficients estimated, 13 were positive and of those, in addition to the four that were significant, three had values of 0.60 or higher.

A different but related issue is whether the lower relative wages for women tend to occur in specific occupations but not in others. To this end the occupations were classified into four relative wage groups according to the following criteria (table 23):

higher than men if the occupations paid wages to women that were above 110 percent of men's wages in the same industry;

approximately equal if women in such occupations earned between 90 and 110 percent of wages earned by men in the same industry;

lower than men if women's wages were between 70 and 89 percent of men's wages for the industry; and

much lower than men if women's wages were less than 70 percent of men's wages for the industry.

No clear pattern emerged. For the most part, women earned lower (or much lower) wages than men in "prestige" occupations (e.g., top management and professionals), as well as in less prestigious jobs (mechanic, craftsmen or unskilled workers). While there is some tendency for a higher incidence of "equal" or just "lower" classifications among unskilled and office workers than among top management or professionals, overall there is no apparent association between occupational type and relative wages by gender.

A policy implication of this analysis is that it highlights the importance of promoting equality of opportunity for women. While it is important to continue the process of increasing the access of women workers to the formal sector, and to a range of formal-sector occupations and industries as broad as that open to men,³⁹ a thrust of the policy effort should be toward

and minus one indicating the strength and direction of the association.

See previous sections regarding the sectoral and occupational distribution of women workers.

achieving equal pay for equal work. How these objectives should be achieved is discussed in the final section on policy recommendations.

The Legal and Regulatory Framework: Recent Changes in Labor Market Law

As in many other countries, labor legislation in El Salvador has traditionally established a special regime for women. In April 1994, the main source of labor market regulation, the labor code, was significantly reformed. This section reviews key legal dispositions relating particularly to women, the recent changes, and their likely effects on the labor market conditions of women.

The Legal Regime Up to 1994

The creation of a special labor code regime for women in El Salvador finds an anchor in the Constitution of 1983 which establishes that women workers shall be entitled to remunerated leave before and after giving birth and that they shall be entitled to their job after a birth (article 42). Likewise, the same article provides a basis for obliging employers to establish and "maintain" nursery and childcare centers.

The labor code is broader and naturally more specific.⁴⁰ Its chapter V addressed "the work of women and minors", thus implicitly placing women on an equal footing with children.

In that light it forbade employing workers less than 18 years old and women in dangerous or unhealthy activities (article 105). Article 106 proceeded to define "dangerous activities". Examples included: machine repair, oiling, and cleaning; any activity involving the use of cutting utensils such as electric saws and knives (kitchen and butcher knives excepted); underground and underwater work; all types of construction activities; work in mines and quarries; work at sea; other activities specified in laws, safety and health regulations, agreements and the like.

Article 108 addressed the nature of unhealthy activities. Those were defined as activities that in themselves can harm workers or which involve the use of materials which can harm workers--examples are those which could lead to poisoning or intoxication. In case of doubt regarding whether an activity is dangerous or

The labor code was adopted in 1972 and had been reformed in 1978.

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not the final determination would be made by a unit within the Department of Labor.

Article 110 established that pregnant women could not be assigned to jobs requiring "considerable" physical effort -- especially after the fourth month of pregnancy. Pregnant women in positions which required dealing with the public were to be transferred to other types of jobs at their request (article 111). After giving birth a woman was entitled to the same job she held before her pregnancy (article 112). Article 113 established (and still does) that women cannot be discharged during pregnancy or before maternity leave ends. The exception is when the cause for the discharge took place prior to pregnancy. Yet, even then, a woman cannot be discharged before the completion of maternity leave.

Women are entitled to remunerated maternity leave for a period of three months. To enjoy remunerated maternity leave a woman is required to have worked for the same employer for six months prior to giving birth. Yet, in any case, pregnancy entitles a woman to a three-month leave whether remunerated or not (articles 309 and 311).

There is a social insurance fund to which employers and employees contribute at the rate of 7.5 and 3.0 percent, respectively, of a basic wage (6,000 colones per month). Such fund pays 75 percent of the maternity benefits (remuneration) up to a cap. The employer pays the remaining 25 percent. However, as in practice many of the workers earn above the salary cap, the employer ends by paying much of the maternity entitlement. The consensus among specialists and informed Salvadorans is that, at present, maternity leave regulations are enforced and met by formal sector firms -- whether large or small.

The 1994 Changes To The Labor Code

In what relates to women workers, the thrust of the April 1994 reforms was to place women on an equal footing as men regarding their access to industries and occupations. Gone are the code sections which treated women as if they were minors. The special regime regarding dangerous or unhealthy activities applies only to minors.

Articles 111 and 112 that established the right to obtain job transfers during pregnancy and the right to the same job after birth have been annulled.

Implications

The recent labor code changes expand labor market opportunities for women. Moreover, the favorable impact of the reforms on the labor market prospects for women is reinforced by recent changes in family law that enhance the proprietary rights of women and their creditworthiness (see Silvia Lopez-Smyth 1995).

The previous treatment of women on a par with minors, specifically the restrictions regarding activities considered unsafe or unhealthy, was generally seen by employers as too broad and vague and thus a threat to potential employers.

Maternity leave benefits are not out of line relative to the legal regime in other developing countries. However, they seem to be enforced more in El Salvador than in many other such countries.

The fact is that the maternity leave regime is generally perceived as onerous by small firms struggling to expand and there is a widespread notion that employers prefer not to hire women who might be pregnant.⁴¹ In view of relatively high rates of fertility, especially among women from rural areas, such reluctance would not be surprising. Moreover, the relative high unemployment rates of women of prime reproductive age does support such impression.

Nonetheless, the elimination of special job transfer rights during pregnancy and of the right to return to the same job after birth (articles 111 and 112) should ameliorate the job prospects of women of prime reproductive age. Additional steps to improve the employment prospects of women of prime reproductive age could relate to encouraging the establishment of economically viable nursery facilities (see next section with policy recommendations).

The analysts, however, were not able to find any evidence of present abusive or discriminatory practices in this regard. It does seem that, probably toward the early 1970s, employers in some sectors may have tried to obtain assurances of non-pregnancy prior to hiring young women. By most accounts such practices no longer occur.

Policy Implications and Entry Points

The evidence reviewed in the previous sections indicates an overall improvement in labor market conditions in El Salvador since the adoption and implementation of the 1989 program of stabilization and structural reforms. The evidence indicates that women have also benefitted in terms of their labor market opportunities.

It would seem that the combination of strong economic growth, greater reliance on a more open economy and competitive market forces, along with institutional changes that attenuate for some factors which artificially raised the relative cost of female labor, are opening the way for a greater participation of women in quality jobs in the formal sector. The propositions loosely made in some of the literature that economic liberalization in developing countries adversely affects women is contradicted by the experience of El Salvador⁴².

Nonetheless, two conditions remain:

1. Relative to men, women have been and still are at a disadvantage in the labor market.
2. Further efforts to enhance the labor market opportunities for women, especially their access to the formal sector, are warranted.

In such light, the following paragraphs identify areas in which the Salvadoran experience is a source of lessons, and those in which further interventions by USAID are warranted. The areas are:

- (a) Broad economic policy and institutional reforms;
- (b) Policy and institutional reform focused on the labor market;
- (c) Education and training;
- (d) Support for anti-discrimination regulation and enforcement in the labor market to eliminate gender bias;
- (e) The development of childcare services on a cost recovery basis;

See Coopers and Lybrand (January 1995) and Tanski (1994).

(f) Improvements in the statistical base relating to gender analysis;

(g) Provision of expertise to monitor and analyze progress relating to the labor market conditions of women.

On Economic Policy and Institutional Reforms

The Salvadoran experience underlines the importance of achieving economic stability and of ridding the economy of policy-induced distortions. Furthermore, provided social peace and the structural reforms continue, the growth and continuous improvement of social conditions are very likely to be sustainable.

This points to a first fundamental operational implication for USAID. True improvement in social conditions, and progress for all population groups including both genders, can only be attained if a society is able to develop the economic foundations needed to support social betterment.

To such end, through its policy dialogue with representatives of aid-recipient countries, and through its project and nonproject assistance, USAID should encourage the creation of a policy and institutional setting conducive to sustainable growth with widely spread benefits. This means not letting down on USAID involvement in policy reform issues. On the contrary, this development should be reinforced..

Where an economy operates in a policy context such as El Salvador's pre-reform years, USAID should seek policy reforms of the type in-process presently in El Salvador. For example, USAID could provide technical assistance for doing away with barriers to entry and exit in specific sectors. It could do so on the basis of a generally accepted premise: competitive markets open opportunities for women.

Even in El Salvador, there surely is still significant scope for the financing of *ad hoc* analyses to identify factors such as cumbersome regulations and institutionally determined high transaction costs of setting up businesses that hinder the creation of employment for women. Such analyses should be linked to USAID applied analysis efforts by the Mission's economic office.

In countries where labor market regulations adversely impact the hiring of women, USAID's programs could be catalysts for providing the analysis and awareness of the beneficial

consequences of eliminating such regulations. A related point is that, as part of the structural reforms, USAID should be wary of barriers to the efficient allocation of resources.

Such barriers include labor market institutions or regulations which, frequently with the best of intentions, make the hiring of labor, or of some type of labor -- women for instance-- more costly relative to the cost of other types of labor or capital. It also includes obstacles to the development of other markets which affect the potential for employment creation. The financial market is a case in point (see next subsection).

These latter considerations are important in the sense of what USAID should not do: do not distort markets by attempting to achieve social goals through the price mechanism. Moreover, where the economic policy context is adverse, as in pre-1989 El Salvador for example, and when the authorities are reluctant to change it, USAID's resources for enhancing the economic opportunities of women probably can be better applied elsewhere.

What not to do and the experience with credit markets

The experience with credit markets is enlightening. While directed and subsidized credit programs have been advocated for redistributive or efficiency objectives, for the most part, the record of such programs has been disappointing.⁴³

The theoretical foundation was either a sense of market failure, or the need to offset policy-induced distortions. However, prevailing theory has shown that the best policy approach is to directly address the causes of market failure and to reform the policy and institutional settings. Moreover, direct transfers are better to achieve redistribution objectives (for example, training programs for head-of-household female workers below poverty levels). In this connection there is broad scope for government intervention and for the support of international donors.

In general, directed and subsidized credit programs have contributed to: resource misallocation, donor-supported lenders which are not financially viable, weak mobilization of savings resources, stunted financial sectors, and regressive income effects. *In conclusion, credit programs targeted on women are not recommended.*

These points are based on a recent study of the Agency for International Development Center for Development Information and Evaluation (Buttari 1995). See also USAID(1991); Adams and Von Pischke 1991); Boomgard and Angell(1990); Gonzalez Vega(1993); Lieberman(1985); and World Bank (1989a).

Instead, there is some scope for supporting the development of commercially viable, nontargeted financial institutions that can meet the liquidity needs of microentrepreneurs. The conceptual advances during approximately the last ten years in connection with how to effectively provide financial services to low-income groups and small entrepreneurs, along with the successful performance of some institutions in doing just that, are encouraging and provide reference points for future action by international donors.

Nonetheless, the overall disappointing record of credit programs suggests that donors' initiatives in this area should proceed with caution and only gradually expand the scope of resources allocated to microenterprise financing as additional successes so warrant it. At this point the emphasis should be on limited pilot programs in countries selected on the basis of progress toward the development of adequate policy and institutional settings.

In the above light, international donor subsidization of institutions that provide financial services to microentrepreneurs -- both genders -- should be of short duration (2 years, no more than 3) and conditioned on a fast movement toward financial self-sustainability. This is the approach suggested for USAID in connection with the development of financial services that benefit women.

Support Education and Training

Moving to other areas for development assistance, a third fundamental point is that *USAID should support a strong push for expanding the educational opportunities available to women.* This means access to all educational levels and career paths at parity with males.

Enhancing access to education at the lower levels and advancing literacy and numeracy among girls and young women, especially in rural areas, should continue to be a top priority. This has to be linked to improvements in the education system. However, it is also important to develop or enhance training and education programs that reach women of working age whether in the labor force or not.

Targeted training and education for female workers above the younger age cohorts and, across cohorts, in rural areas should indeed become a priority in a country such as El Salvador, where already USAID is allocating significant resources to educating the young. It is unlikely that all relevant population groups in slums and small villages are already being adequately served. The appropriateness of specific additional targeted interventions would have to be evaluated in light of benefit-cost as well as distributional criteria.

Furthermore, training efforts should be closely linked to labor market needs. In this connection sectors exporting non-traditional goods in general, textiles, paper and paper goods, plastics, finances, and, to a lesser extent, construction are likely to be dynamic sectors with the potential of significantly contributing to the participation of women in the formal sector. USAID should support efforts to promote skills needed in the short term in these industries in El Salvador. Yet, the training program/system has to build on private sector-indications regarding needs.

In sum, for helping women achieve their economic potential in developing economies, there is no substitute for achieving a climate which promotes confidence in the prospects of the economy, encourages the efficient use of resources, does away with barriers in labor and other markets, and stresses the creation of human capital.

Support Anti-Discrimination Regulation and Enforcement

USAID should help developing countries legislate and enforce regulations against labor market discrimination of women. USAID should provide the expertise to develop or refine regulation and cost-effective implementation mechanisms. The United States experience with similar efforts should be tapped. The objective would be the relentless and severe prosecution of discrimination. Anti-discrimination efforts could be channelled through USAID offices of democratic initiatives.

Even El Salvador could benefit from strengthening its administrative capacity to combat labor market discrimination that takes the form of barring access to: (1) equal pay in the face of equal responsibilities (i.e. within the same occupations) and human capital (i.e. relevant education, experience, and ability); (2) higher paying or prestige occupations or positions. Clearly, the thrust in this area complements previous recommendations regarding labor market policies and efforts toward open and competitive markets.

Reliance on gender-related quotas or preferential treatment is not recommended. Such an approach would run counter to efforts to do away with barriers to competitive market forces in which income rewards are linked to productivity and individual effort. Moreover, it is this report's sense that efforts to promote a gender-based system of preferences would unnecessarily add to social tensions in El Salvador and would encourage the expansion of unneeded bureaucracies.

Finally, one should note that if an adequate policy and institutional setting is not achieved, trying to implement non-discriminatory labor market practices is not likely to be effective. However, if the setting is adequate, the implementation of anti-discrimination laws would reinforce the income-creating effects of economic growth, do away with labor and product market barriers, and encourage investment in human capital.

Support Programs for Developing Pre-School Childcare Services Through Private Firms on A Cost-Recovery Basis⁴⁴

This is an area relevant for a broad variety of countries. It probably is of particular relevance for countries such as El Salvador which are faced with the challenge of developing second-generation follow-up measures to an intensive policy reform thrust. These measures are geared to:

- (1) facilitating a woman's uninterrupted participation in the labor force without neglecting children's health and development;
- (2) raising the employers' certainty about their labor force stability and confidence that firms will be able to recover their investment and returns in workers' training and hiring.

While access to child care facilities will benefit both male and female employers, the focus in this report is the effect such policies might have on the employment opportunities for women.

While traditionally, and El Salvador is a case in point, legislation in developing countries has tended to advocate the provision of free or heavily subsidized facilities, in fact only a few groups benefit from such facilities. The reason is that they are costly. The efficient approach is to encourage their creation on a cost-recovery, cost-sharing basis -- users and beneficiaries (including the firm) bear the cost.

The significant proportion of female-headed households in El Salvador, along with the trend of rising labor force participation of women, indicate the importance of alleviating the obstacles to women's competing in the formal-sector labor force on a par with men. This not only has gender implications, but is of significance as a means to combat poverty. Additionally, developing child-care services is likely to reinforce the shift of women out of domestic service and into formal sector jobs.⁴⁵

As indicated previously in this report, one key issue is that employers may be reluctant to hire women of prime child-bearing age because of fear of absenteeism and abuse of maternity leave

See U.S. Department of Labor (1989) for a more detailed discussion of these aspects.

A point highlighted by Suzanne Gleason.

benefits. If the reasons for such absenteeism -- justified concern with adequate care for the child -- were diminished, the competitive stance of women would be enhanced. This suggests that the provision of place-of-employment childcare facilities may be important.

Besides less absenteeism, potential benefits for the employers also include less job turnover, access to a broader range of skills (i.e. young women who otherwise might not be in the labor force), and good image and public relations -- which strengthen the pool of potential workers.

USAID should finance studies to be completed in the short-term (say, no more than three months) on the viability of different approaches to child-care facilities based on cost-recovery formulae. Cost-recovery means that all beneficiaries from the services pay for the cost rather than attempting to pass most of such costs to the firms.

The results of the studies would provide the basis for setting up pilot projects. Such projects would test selected approaches involving modalities of contribution and collaboration among USAID, NGOs, private firms and trade associations, employees of specific firms, and local governments.

The approaches to be analyzed should include:

In-firm facilities: One advantage is that by keeping the center as part of the organization, the employer (and employees under some of the options) retain control over the quality and functioning of the center. One disadvantage is that the organization is liable for the center and responsible for the operations.

Consortium centers: Under this option a group of employers create a child-care center (e.g., in export processing zones and other industrial parks). The advantage is that single employers may not have a sufficient number of employees to ensure the financial viability of an in-house center. The advantages are lower costs and less direct management responsibilities. Among others, the disadvantages are less visibility as a company program, less value for public image and a less convenient center location.

Parent-run centers: These centers may be on-site or near-site. The company may provide some start-up funding and in-kind services such as mailing and printing. The advantages to the company are that this reduces its liability and management burden. (The US Federal Government frequently uses this approach. Agencies provide rent-free space and utilities. A board of directors formed by parents and employees pay

for all costs except for rent and utilities provided by the companies.)

Contracted services: A company, or group of companies, can hire a child-care management business to operate a center for their employees. An advantage is to leave the management responsibilities to professionals. Another advantage is that companies may negotiate better prices on the basis of volume compared to what single employees would have to pay on their own.

NGO funding: This is a variant of the practice by some U.S. firms to use company foundation funding (for example, The Corning Foundation). USAID should explore involving NGOs in the direct provision of these services by themselves, or through helping design employer-employee arrangements, for instance.

The thrust of the proposed studies should be assessing from a benefit-cost perspective the different child-care options. The studies should include financial analyses of the alternatives as well as economic analyses. The financial analyses would identify different break-even points under different assumptions.

Benefits to be considered include benefits to the firm (which justify a contribution by the firm), to the employees (which justify their contribution), and to the society at large (more skilled workers, happier persons, children well taken care of) which might justify a contribution by the society -- e.g., in the form of a tax credit or direct transfers.

In this last connection a key issue is the most efficient form of public support (tax credit or direct transfer), and at what level of the public sector (local or central government). Another issue is whether the employees who contribute should be beneficiaries, potential beneficiaries (perhaps different degrees of contribution are warranted), or all employees.

Under one formula a firm might contribute only start-up costs, with the employees picking up operating costs through child care fees.

One subissue that the studies should address relates to taking care of sick children. For example, if children are not seriously ill the mother could take them to the child care center, where special attention would be given to the not-so-sick children.

Another aspect is the assessment of the advantages of employers providing referrals to their employees of child care centers accredited by employers' groups. Accreditation and cost of referral services might be financed through fees paid by the

employees, perhaps with the employers absorbing part of the costs.

Awareness or publicity campaigns will probably be necessary to attract employee interest in child care services provided through or with the collaboration of the firm or trade association.

USAID might finance analyses of preselected firms in given counties. Management and employees would be interviewed. Costs would be evaluated. The interest of the different parties in the potential arrangements would be assessed. These activities could be channeled through USAID's health offices.

Statistical Base and Gender Analysis

It has been clear from the analysis of Salvadoran data that insights regarding the labor market conditions of women are limited by published data availability.⁴⁶ In this light, *USAID could help provide the expertise for improving aid-recipient countries' capacity to collect and analyze gender disaggregated statistics.*

The present report may constitute a reference point for analyses with a focus on women workers. Such analyses would help USAID Missions identify baseline situations regarding women workers and trace the change as policies and other factors are altered. The analyses would help Missions to monitor progress toward the achievement of equality of opportunity for women.

USAID's economic offices would be a logical home for these activities. The idea would be to carry out periodic analyses, say once a year, or every two years, to focus on pre-selected variables of gender interest -- occupational distribution and wage structure and levels, for instance.

For example, as noted in this report, published data do not enable one to assess the seriousness of apparent long term unemployment because of lack of information on other income sources, household-head status, and intensity of job search.

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